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RUEHLO/AMEMBASSY LONDON 7783  
RUEHML/AMEMBASSY MANILA 2978  
RUEHBUL/AMEMBASSY KABUL 8499  
RUEHAH/AMEMBASSY ASHGABAT 3379  
RUEHKP/AMCONSUL KARACHI 9617  
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SUBJECT: NATURAL GAS PIPELINE FOR TURKMENISTAN, AFGHANISTAN, PAKISTAN AND INDIA: CLOSER TO REALITY?

¶1. (U) SUMMARY. With the signing of a framework agreement in Islamabad on April 25, the Turkmenistan, Afghanistan, Pakistan natural gas pipeline project formally includes India as a partner and agrees to move forward quickly on implementation. With construction scheduled to start in 2010 and completion in 2015, the proposed USD 7.6 billion, 1,680-kilometre pipeline project will supply 3.2 billion cubic feet of natural gas per day, with the majority going to Afghanistan and lesser but equal shares to Pakistan and India. END SUMMARY.

¶2. (U) An Inter-Governmental Framework Agreement on the Turkmenistan, Afghanistan, Pakistan and India (TAPI) gas pipeline project was signed April 25 in Islamabad. Petroleum ministers from the four member countries ratified the framework agreement pledging to begin construction of the proposed USD 8 billion, 1,680-kilometre pipeline project by 2010, and supply gas by 2015. Signatories to the agreement were Pakistan Minister for Petroleum and Natural Resources Khwaja Muhammad Asif, Turkmen Minister for Oil and Gas Industry Dr. Baymurad Hojamuhamedov, Afghan Minister of Mines Mohammad Ibrahim Adel, and Indian Minister for Petroleum and Natural Gas Shri Murli Deora. The signing ceremony was held at the conclusion of the second meeting of the Technical Working Group (TWG) and 10th meeting of the Steering Committee of Ministers, following two days of talks.

¶3. (U) Indian Oil Minister Murli Deora formally requested that the steering committee permit India to join the pipeline project as a full member. Pakistan, Turkmenistan and Afghanistan accepted his proposal. The next meeting of the TWG and the Steering Committee will be held in New Delhi "at an early date but before the end of October."

¶4. (U) Supply and demand: The Project will supply 3.2 billion cubic feet of gas per day. Afghanistan, Pakistan and India presented their demand proposals to the steering committee. Afghanistan proposed to off-take up to eight million cubic feet per day (mmcf) in years 1 and 2, and up to 14 mmcf of the 90 mmcf allocated to the project starting from the third year. Pakistan and India agreed, in principle, to equally share the remaining volume between them.

¶5. (U) Cost of the Project: The original estimate of USD 3.3 billion in 2002 has now risen to USD 7.6 billion, however the TAPI pipeline is still considered financially viable despite significant increases in project cost estimates due to sharp increases in the price of steel, construction costs, and the cost of compressor stations. The parties agreed that a technical working group will formulate a draft sales and purchase agreement by December 31. Payment of transit fees to Afghanistan and Pakistan were reportedly not discussed at the meeting.

¶6. (U) Pipeline Path and Timing: The 1,680 km, 56 inch diameter

pipeline will start at the Dauletabad field in Turkmenistan and run to Fazilka at the Pakistan-India border, passing through Herat and Kandahar in Afghanistan and Multan in Pakistan. Construction work on the project would start in 2010 and gas supply would begin flowing in 2015.

¶7. (U) Turkmenistan Gas Reserves: The Turkmenistan Minister confirmed that there are adequate reserves of gas in Turkmenistan to support the combined demand of the buyer countries for 30 years. Turkmenistan committed to share an audit report on the certification of gas reserves will be available by September 30, 2008. Turkmenistan also agreed to supply its internal gas specification to the parties within one month. Turkmen Minister Hojамuhamedov said that huge new gas reserves had been found, and the government is awarding the contract for certification of reserves of various gas fields to a British consultant by the end of this month. He noted that Turkmen scientists determined that total gas reserves were eight trillion cubic meters (TCM) which would leave the Turkmen government with huge surplus reserves after meeting the demand of the TAPI buyers.

¶8. (U) Additional Agreed Items: The parties have also agreed to form a consortium of investors to undertake a detailed feasibility study. The parties have also agreed to formulate a long term pricing mechanism which will be attractive to the buyers as well as the seller and will reflect the new market trends. In addition, the Asian Development Bank agreed to review the feasibility study to ensure that it addresses potential investor concerns.

¶9. (U) COMMENT: Embassy Islamabad has compiled this information based on extensive media coverage in Islamabad from both television and print media. A live television feed of the signing ceremony was carried on several local news channels amid great fanfare. Embassy will follow up with the Minister of Petroleum and Natural Resources

ISLAMABAD 00001684 002 OF 002

to obtain further information as it becomes available. END COMMENT.

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